

BENTON COMMUNITY SCHOOL DISTRICT  
VAN HORNE, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2013

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# BENTON COMMUNITY SCHOOL DISTRICT

## OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2012)		
Dan Voss	President	2015
Brian Strellner	Vice President	2015
Jack Barnes	Board Member	2013
Wayne Reinhardt	Board Member	2013
Patrick Stepanek	Board Member	2013
Bill Boies	Board Member	2015
Roy Becker	Board Member	2015
(After September 2012)		
Dan Voss	President	2015
Patrick Stepanek	Vice President	2013
Jack Barnes	Board Member (resigned May 21, 2013)	
Kyle Schmidt	Board Member (appointed June 19, 2013)	2013
Wayne Reinhardt	Board Member	2013
Bill Boies	Board Member	2015
Roy Becker	Board Member	2015
Brian Strellner	Board Member	2015
<u>School Officials</u>		
Gary Zittergruen	Superintendent	2013
Doug Embray	District Secretary/ Associate Superintendent	2013
Eva Bartelt	District Treasurer	2013
Ray and Associates	Attorney-Negotiations	Indefinite
Lynch, Dallas PC	Attorney	Indefinite

DOUGLAS T. HUNT, CPA  
DONALD D. KAIN  
CHUCK C. CONVERSE, CPA  
RUSSELL S. TERPSTRA, CPA  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Benton Community School District:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Benton Community School District, Van Horne Iowa, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Benton Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 14 and 50 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Benton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financials statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 3, 2014 on our consideration of Benton Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Benton Community School District's internal control over financial reporting and compliance.

Oskaloosa, Iowa  
January 3, 2014

*Hunt & Associates, P.C.*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS 2013**

This section of the Benton Community School District's annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ending on June 30, 2013. Our analysis will focus on the District's financial performance as a whole for the fiscal year 2013.

This is the eleventh year that all District financial activities are reported on a full accrual basis, and comparisons with prior years will be made when appropriate. Efforts have been made to provide comparison data from the prior year when such data is required.

Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

### **Fiscal 2013 Financial Highlights**

- ◆ General Fund revenue and other financing sources decreased from \$15,692,207 in fiscal 2012 to \$15,549,656 in fiscal 2013 while General Fund expenditures and other financing uses increased from \$15,013,271 in fiscal 2012 to \$15,529,635 in fiscal 2013. This resulted in an overall change in the District's General Fund balance from \$2,640,943 in fiscal 2012, to \$2,660,964 in fiscal 2013, a slight increase from the prior fiscal year.
- ◆ The school district entered its eleventh year of the District Instructional Support Levy, funded by a mixture of Income-surtax and local property tax. The levy is scheduled to provide approximately \$784,000 for District identified purchases.
- ◆ The increase in expenditures for Fiscal 2013 was due primarily to personnel settlements, technology hardware/software and increased vendor services to the school district.
- ◆ The District continues to collect one-cent sales tax revenue from Benton, Iowa and Tama Counties during the 2013 fiscal year. The revenue from this tax has been used to reduce District long-term debt. This funding stream will also continue to fund annual district infrastructure needs.
- ◆ A stagnant economy continues to impact earning rates during the fiscal year, resulting in low General Fund interest earnings on investments. In fiscal year 2012, the District earned \$10,371 on investments. In fiscal year 2013, the District earned \$10,218 on investments, a slight decrease over last year's earnings.
- ◆ The District completed several Physical Plant and Equipment projects related to improvement of building HVAC across the School District during the 2013 fiscal year. The District continues to support the .33 cent portion of annual PPEL revenue through the annual budgeting process and currently has no voted PPEL in the annual budget.

## Overview of Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- ◆ The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- ◆ The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- ◆ The statements for governmental funds explain how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- ◆ The statements for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food services, latchkey and preschool.
- ◆ The statements for fiduciary funds provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

### District-Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenditures are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

- ◆ Over time, increases or decreases in the District's net position are an indicator of whether the District's financial position is improving or deteriorating, respectively.
- ◆ To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base, the condition of school buildings and facilities, and student enrollment trends.

In the District-wide financial statements, the District's activities are divided into two categories:

- ◆ **Governmental funds:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- ◆ **Business-type funds:** The District charges fees to help cover the cost of certain services it provides. The District school nutrition program would be included here.



### Fund Financial Statements

The fund financial statements, included with this report, provide more detailed information about the District's funds, focusing on its most significant or major funds. Funds are accounting devices the District uses to keep track of specific sources of revenue and spending on particular programs. Funds do not focus on the District as a whole.

- ◆ Some funds are required by state law and by bond covenants.
- ◆ The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or show that it is properly using certain revenues such as federal grants.

#### **Benton Community School District has three types of funds:**

- ◆ **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets, which can readily be converted to cash, flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
  - ◆ The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Permanent Fund.
- ◆ **Proprietary funds:** Services for which the District charges a fee are generally reported in the proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
  - ◆ The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has two enterprise funds, the school nutrition program and the preschool program.
- ◆ **Fiduciary funds:** The District is trustee, or fiduciary, for assets that belong to others.
  - ◆ **Agency Fund:** These are either funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts, or certain revenue collected from District employee purchases of pop and related expenditures.

The District is responsible for ensuring that those to whom the assets belong use them only for their intended purposes and the assets reported in the fiduciary funds. The District excludes these activities from District-wide financial statements because it cannot use these assets to finance its operations.

## Financial Analysis of the District as a Whole

**Net Position:** Figure A-1 provides a summary of the District's net position for fiscal years ended June 30, 2012 and June 30, 2013.

**Figure A-1 Statement of Net Position**

	Government Activities	Business Activity	School District	Government Activities	Business Activities	School District	Change
	2012	2012	2012	2013	2013	2013	
Current /other assets	18,150,984	164,779	18,315,763	15,238,649	130,944	15,369,593	-2,946,170
Capital Assets	19,424,715	116,380	19,541,095	22,446,414	121,032	22,567,446	3,026,351
<b>Total Assets</b>	<b>37,575,699</b>	<b>281,159</b>	<b>37,856,858</b>	<b>37,685,063</b>	<b>251,976</b>	<b>37,937,039</b>	<b>80,181</b>
Long-term obligations	12,570,304	0	12,570,304	12,475,867	0	12,475,867	-94,437
Other liabilities	9,716,938	27,629	9,744,567	8,576,718	19,751	8,586,469	1,148,098
<b>Total Liabilities</b>	<b>22,287,242</b>	<b>27,629</b>	<b>22,314,871</b>	<b>21,052,585</b>	<b>19,751</b>	<b>21,072,336</b>	<b>-1,242,535</b>
Net Assets:							
Net investment in capital assets	9,872,141	116,380	9,988,521	10,536,521	121,032	10,657,553	669,032
Restricted	3,127,343	0	3,127,343	3,758,523	0	3,758,523	631,180
Unrestricted	2,288,973	137,150	2,426,123	2,337,434	111,193	2,448,627	22,504
<b>Total Net Position</b>	<b>15,288,457</b>	<b>253,530</b>	<b>15,541,987</b>	<b>16,632,478</b>	<b>232,225</b>	<b>16,864,703</b>	<b>1,322,716</b>

**Changes in net position:** Figure A-2 shows the changes in net position for the years ending June 30, 2012 and June 30, 2013.

**Figure A-2 Changes in Net Position**

	Government Activities 2012	Business Activities 2012	School District 2012	Government Activities 2013	Business Activities 2013	School District 2013	Change
<b>Revenues:</b>							
<b>Program Revenue:</b>							
Charge for service / sales	1,320,782	559,773	1,880,555	1,326,487	535,210	1,861,697	-18,858
Operating grants, restricted interest	2,504,474	250,325	2,754,799	2,205,151	254,848	2,459,999	-294,800
Capital grants, and restricted interest	61,090	0	61,090	864,227	0	864,227	803,137
<b>General Revenues:</b>							
Property tax	8,180,132	0	8,180,132	8,429,925	0	8,429,925	249,793
Unrestricted state grants	6,144,403	0	6,144,403	5,997,162	0	5,997,162	-147,241
Unrestricted investments	53,190	486	53,676	25,637	384	26,021	-27,655
Other	133,057	0	133,057	66,479	0	66,479	-66,578
<b>Total revenues</b>	<b>18,397,128</b>	<b>810,584</b>	<b>19,207,712</b>	<b>18,915,068</b>	<b>790,442</b>	<b>19,705,510</b>	<b>497,798</b>
<b>Program Expenses:</b>							
Governmental activities							
Instruction	11,034,926	0	11,034,926	10,799,092	0	10,799,092	-235,834
Support services	4,704,672	12,592	4,717,264	5,136,258	2,704	5,138,962	421,698
Non-instruction Programs	0	821,919	821,919	0	809,043	809,043	-12,876
Other expenses	1,474,352	0	1,474,352	1,596,898	0	1,596,898	122,546
<b>Total expenses</b>	<b>17,213,950</b>	<b>834,511</b>	<b>18,048,461</b>	<b>17,532,248</b>	<b>811,747</b>	<b>18,343,995</b>	<b>295,534</b>
<b>Special items</b>	<b>-30,330</b>	<b>0</b>	<b>-30,330</b>	<b>-38,799</b>	<b>0</b>	<b>-38,799</b>	<b>-8,469</b>
<b>Change in net position</b>	<b>1,152,848</b>	<b>-23,927</b>	<b>1,128,921</b>	<b>1,344,021</b>	<b>-21,305</b>	<b>1,322,716</b>	<b>193,795</b>

Property tax and unrestricted state grants account for 73% of the District's total revenue. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$18,915,068 and expenses were \$17,532,248 in fiscal 2013. The District attempted to balance revenues and expenses for most Governmental Funds, excluding the Capital Projects Fund. Particular attention was given to the District General Fund. The following table presents the total and net cost of the District's major governmental activities; instruction, support services, non-instructional programs and other expenses.

### *Figure A-3 Total Net Cost of Governmental Activities*

Figure A-3 shows the changes in Net costs for the years ending June 30, 2012 and June 30, 2013.

	<b>Cost of Services</b>	<b>Net Cost of Services</b>	<b>Cost of Services</b>	<b>Net Cost of Services</b>	<b>Change</b>
	<b>2012</b>	<b>2012</b>	<b>2013</b>	<b>2013</b>	
Instruction	11,034,926	7,848,273	10,799,092	7,996,829	148,556
Support services	4,704,672	4,659,407	5,136,258	4,997,222	337,815
Non-instructional programs	0	0	0	0	0
Other expenses	1,474,352	819,924	1,596,898	142,332	-677,592
Total	17,213,950	13,327,604	17,532,248	13,136,383	-191,221

- ◆ The cost financed by users of District's programs was \$1,326,487
- ◆ Federal and state government subsidized certain programs with grants and contributions totaling \$2,205,151
- ◆ The net cost of governmental activities was financed with \$8,429,925 in property tax and other taxes, \$5,997,162 in state foundation aid and \$25,637 in interest income.

## Business -Type Activities

Revenues for the District's business-type activities were \$790,442 and expenses were \$811,747. The District's business-type activities include the School Nutrition Fund, Latch key and Preschool programs. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income.

During the year ended June 30, 2013, the District increased its meal prices and preschool fees however, total revenues were still down \$20,142 from the prior year, but expenses were down \$22,764 from the prior year.

## **Financial Analysis of the District's Funds**

As previously noted, the Benton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$ 6,255,698 a decrease over last year's ending fund balance of \$ 7,992,882.

### **Governmental Fund Highlights**

- ◆ The District's General Fund financial position is the product of many factors. The slight decrease in revenues was coupled with an increase in General Fund expenditures. These conditions resulted in slight increase in the District's General Fund carry over fund balance.
- ◆ The General Fund balance increased from \$2,640,943 to \$2,660,964 for the 2013 fiscal year. In addition 2013 was the eleventh year for a District Instructional Support Levy, which has helped support expenditures in the General Fund.
- ◆ The District's Capital Project Funds had a balance of \$1,517,628 on June 30, 2013. This balance is a combination of One-cent sales tax money collections, Physical Plant and Equipment (.33) Levy and current reserve related to the revenue sales bond projects completed in FY 13.

### **Proprietary Fund Highlights**

The School Nutrition Fund had a net position of \$228,463 on June 30, 2013. As previously noted the District increased meal prices but will need to continue to monitor meal pricing as net assets decreased by \$26,859.

### **Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following the required public notice and hearing for all funds, except its private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and Major Special Revenue Funds are not presented on the budgetary comparison pages.

## Legal Budgetary Highlights

The District's total actual revenues in 2013 were \$18,830,064; \$339,697 less than the total actual revenues amount of \$19,169,761 in 2012. Total expenditures were less than budgeted amount due primarily to the District's amount allocated for the General Fund. It is the District's practice to budget expenditures at an amount that exceeds projected expenditures for the coming fiscal but is less than the maximum allowed by law. The District then manages or controls General Fund spending through a line-item budget at the building level. As a result the District's certified budget should always exceed the actual expenditures during the fiscal year.

## Capital Assets and Debt Administration

### Capital Assets

On June 30, 2013, the District had invested \$22,567,446 net of accumulated depreciation, in a broad range of capital assets; including land, buildings, athletic facilities, transportation equipment, computers, and audio-visual equipment. (See Figure A-4) This amount represents a net increase from the last fiscal year. More detailed information about capital assets is available in the financial statements. Depreciation expense for the year was \$715,393.

Excluding depreciation, the District has over thirty-two million dollars in capital assets. Governmental Funds account for the majority of the District's capital assets with the remainder in the Proprietary, School Nutrition Fund.

**Figure A-4**

### *Capital Assets, Net of Depreciation*

Figure A-4 shows the changes in Capital Assets for the years ending June 30, 2012 and June 30, 2013.

	Governmental	Business-type	School	Governmentl	Business-Type	School
	Activities	Activities	District	Activities	Activities	District
	2012	2012	2012	2013	2013	2013
Land	63,056	0	63,056	63,056	0	63,056
Land Improvements	279,552	0	279,552	309,742	0	309,742
Buildings	15,519,022	0	15,519,022	20,504,452	0	20,504,452
Construction	2,873,303	0	2,873,303	674,451	0	674,451
Furniture/Equip	689,782	116,380	806,162	894,713	121,032	1,015,745
Totals	19,424,715	116,380	19,541,095	22,446,414	121,032	22,567,446

## **Long-Term Debt**

On June 30, 2013, the District had \$11,920,000 in sales revenue bonds outstanding. These bonds are being used to finance the Middle School/High School Facility Roof, MS/HS Site Drainage Improvements, Atkins Elementary Renovation, MS/HS Stadium, and MS/HS Auditorium Renovation.

## **Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- ◆ The District has experienced declining enrollment for eight of the past nine years. The District has annually monitored this decline and has been able to react through aggressive cash levy options. The District has been able to reduce expenditures annually through district personnel attrition and early retirement incentives. Current projections suggest a continued enrollment decline for the next five fiscal years.
- ◆ The District has continued to support the .33 PPEL Levy through annual budgeting practices.
- ◆ Future obligations impacting the Sales Revenue Fund (33) include; Current annual payments calculated to be approximately \$850,000 annually, the Sales Revenue Fund will generate annually, with the assumption of 2% State Sales Revenue Growth and declining district enrollment of 25 students annually, approximately \$1,000,000 per year.
- ◆ The District has annually supported the board approved Instructional Support Levy, ISL for the district improvements in technology, staff development, and textbook needs. This levy is a combination of property tax and district income surtax and generates approximately \$780,000 annually for the General Fund (10). If this levy is not supported on an annual basis the district general fund would be impacted by these expenses.
- ◆ The District will negotiate a new labor contract in 2014 with its employee groups for fiscal 2015. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and Reserve Fund Balance. The district will be budgeting district resources and expense within the state budget guarantee of 101% of the 2015 budget due to declining enrollment.

## **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Douglas D. Embray, Associate Superintendent, Benton Community School District, 304 First Street, PO Box 70, Van Horne, Iowa 52346-0070.

## Basic Financial Statements

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION  
June 30, 2013

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 6,721,075	\$ 106,518	\$ 6,827,593
Receivables:			
Property tax:			
Current year	77,062	-	77,062
Succeeding year	6,523,272	-	6,523,272
Income surtax	614,976	-	614,976
Accounts	398,257	567	398,824
Due from other governments	895,205	3,748	898,953
Inventories	8,802	20,111	28,913
Capital assets, net of accumulated depreciation (note 4)	22,446,414	121,032	22,567,446
<b>Total assets</b>	<b>37,685,063</b>	<b>251,976</b>	<b>37,937,039</b>
<b>Liabilities</b>			
Accounts payable	542,943	759	543,702
Salaries and benefits payable	1,301,760	4,620	1,306,380
Accrued interest payable	208,743	-	208,743
Deferred revenue:			
Succeeding year property tax	6,523,272	-	6,523,272
Other	-	14,372	14,372
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	44,634	-	44,634
Bonds payable	400,000	-	400,000
Capital lease purchase agreements	161,210	-	161,210
Portion due after one year:			
Bonds payable	11,520,000	-	11,520,000
Capital lease purchase agreements	98,023	-	98,023
Net OPEB liability	252,000	-	252,000
<b>Total liabilities</b>	<b>21,052,585</b>	<b>19,751</b>	<b>21,072,336</b>



BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION  
June 30, 2013

	Governmental Activities	Business-type Activities	Total
Net Position			
Net investment in capital assets	\$ 10,536,521	\$ 121,032	\$ 10,657,553
Restricted for:			
Categorical funding (note 10)	686,506	-	686,506
Debt service	1,389,192	-	1,389,192
Capital projects	1,160,564	-	1,160,564
Physical plant and equipment levy purposes	85,039	-	85,039
Management levy purposes	105,741	-	105,741
Student activities	313,802	-	313,802
Baseball program	17,679	-	17,679
Unrestricted	2,337,434	111,193	2,448,627
Total net position	\$ 16,632,478	\$ 232,225	\$ 16,864,703

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 10,799,092	\$ 1,270,562	\$ 1,531,701	\$ -
Support services:				
Student	386,660	55,925	-	-
Instructional staff	545,245	-	25,933	-
Administration	1,541,368	-	-	-
Operation and maintenance of plant	1,674,973	-	-	-
Transportation	988,012	-	57,178	-
	<u>5,136,258</u>	<u>55,925</u>	<u>83,111</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	39,643	-	-	864,227
Long-term debt interest and fiscal charges	421,377	-	-	-
AEA flowthrough	590,339	-	590,339	-
Depreciation (unallocated) *	545,539	-	-	-
	<u>1,596,898</u>	<u>-</u>	<u>590,339</u>	<u>864,227</u>
Total governmental activities	17,532,248	1,326,487	2,205,151	864,227

Net (Expense) Revenue and Changes in Net Position		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ <u>(7,996,829)</u>	\$ <u>-</u>	\$ <u>(7,996,829)</u>
(330,735)	-	(330,735)
(519,312)	-	(519,312)
(1,541,368)	-	(1,541,368)
(1,674,973)	-	(1,674,973)
(930,834)	-	(930,834)
<u>(4,997,222)</u>	<u>-</u>	<u>(4,997,222)</u>
824,584	-	824,584
(421,377)	-	(421,377)
-	-	-
<u>(545,539)</u>	<u>-</u>	<u>(545,539)</u>
<u>(142,332)</u>	<u>-</u>	<u>(142,332)</u>
<u>(13,136,383)</u>	<u>-</u>	<u>(13,136,383)</u>

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities:				
Support services:				
Operation and maintenance of plant services	\$ 2,704	\$ -	\$ -	\$ -
Non-instructional programs:				
Food service operations	780,617	501,230	254,848	-
Preschool/daycare operations	28,426	33,980	-	-
	809,043	535,210	254,848	-
Total business-type activities	811,747	535,210	254,848	-
Total	\$ 18,343,995	\$ 1,861,697	\$ 2,459,999	\$ 864,227

General revenues:

Property tax levied for:  
 General purposes  
 Capital outlay  
 Income surtax  
 Statewide sales, services and use tax  
 Unrestricted state and federal grants  
 Unrestricted investment earnings  
 Other

Special item - loss on disposal of buildings

Total general revenues and special items

Change in net position

Net position beginning of year

Net position end of year

\* = This amount excludes the depreciation included  
 in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ -	\$ (2,704)	\$ (2,704)
-	(24,539)	(24,539)
-	5,554	5,554
-	(18,985)	(18,985)
-	(21,689)	(21,689)
(13,136,383)	(21,689)	(13,158,072)
\$ 6,294,565	\$ -	\$ 6,294,565
174,464	-	174,464
664,401	-	664,401
1,296,495	-	1,296,495
5,997,162	-	5,997,162
25,637	384	26,021
66,479	-	66,479
(38,799)	-	(38,799)
14,480,404	384	14,480,788
1,344,021	(21,305)	1,322,716
15,288,457	253,530	15,541,987
<u>\$ 16,632,478</u>	<u>\$ 232,225</u>	<u>\$ 16,864,703</u>

BENTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 4,137,777	\$ 1,595,250	\$ 505,175	\$ 482,873	\$ 6,721,075
Receivables:					
Property tax:					
Current year	71,769	-	2,010	3,283	77,062
Succeeding year	6,015,672	-	182,601	324,999	6,523,272
Income surtax	614,976	-	-	-	614,976
Accounts	11,962	-	386,295	-	398,257
Due from other governments	226,573	-	668,632	-	895,205
Inventories	8,802	-	-	-	8,802
Total assets	<u>\$ 11,087,531</u>	<u>\$ 1,595,250</u>	<u>\$ 1,744,713</u>	<u>\$ 811,155</u>	<u>\$ 15,238,649</u>

BENTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 494,159	\$ -	\$ 44,484	\$ 4,300	\$ 542,943
Salaries and benefits payable	1,301,760	-	-	-	1,301,760
<b>Deferred revenue:</b>					
Succeeding year property tax	6,015,672	-	182,601	324,999	6,523,272
Other	614,976	-	-	-	614,976
Total liabilities	<u>8,426,567</u>	<u>-</u>	<u>227,085</u>	<u>329,299</u>	<u>8,982,951</u>
<b>Fund balances:</b>					
<b>Nonspendable:</b>					
Inventories	8,802	-	-	-	8,802
<b>Restricted for:</b>					
Categorical funding (note 10)	686,506	-	-	-	686,506
Revenue bonds	-	988,706	-	-	988,706
Revenue bonds sinking fund	-	606,059	-	-	606,059
Debt service	-	485	-	-	485
School infrastructure	-	-	1,170,671	-	1,170,671
Physical plant and equipment	-	-	346,957	-	346,957
Management levy purposes	-	-	-	150,375	150,375
Student activities	-	-	-	313,802	313,802
Baseball program	-	-	-	17,679	17,679
Unassigned	1,965,656	-	-	-	1,965,656
Total fund balances	<u>2,660,964</u>	<u>1,595,250</u>	<u>1,517,628</u>	<u>481,856</u>	<u>6,255,698</u>
Total liabilities and fund balances	<u>\$ 11,087,531</u>	<u>\$ 1,595,250</u>	<u>\$ 1,744,713</u>	<u>\$ 811,155</u>	<u>\$ 15,238,649</u>

See notes to financial statements.

## BENTON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2013

Total fund balances of governmental funds	\$ 6,255,698
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	22,446,414
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	614,976
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(208,743)
Long-term liabilities, including early retirement, bonds payable, capital lease purchase agreements, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(12,475,867)</u>
Net position of governmental activities	<u>\$ 16,632,478</u>
See notes to financial statements.	



BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2013

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 6,668,928	\$ -	\$ 1,470,851	\$ 275,008	\$ 8,414,787
Tuition	497,833	-	-	-	497,833
Other	121,012	10,759	3,780	729,293	864,844
Intermediate sources	3,001	-	-	-	3,001
State sources	7,930,022	-	108	167	7,930,297
Federal sources	328,860	-	-	-	328,860
Total revenues	15,549,656	10,759	1,474,739	1,004,468	18,039,622
Expenditures:					
Current:					
Instruction	9,901,500	-	193,699	703,023	10,798,222
Support services:					
Student	386,660	-	-	-	386,660
Instructional staff	579,947	-	-	10,481	590,428
Administration	1,520,604	-	-	15,325	1,535,929
Operation and maintenance of plant	1,480,547	-	63,739	245,269	1,789,555
Transportation	1,070,038	-	-	-	1,070,038
	5,037,796	-	63,739	271,075	5,372,610
Other expenditures:					
Facilities acquisition	-	-	3,434,832	-	3,434,832
Long term debt:					
Principal	-	263,502	-	-	263,502
Interest and fiscal charges	-	375,227	-	-	375,227
AEA flowthrough	590,339	-	-	-	590,339
	590,339	638,729	3,434,832	-	4,663,900
Total expenditures	15,529,635	638,729	3,692,270	974,098	20,834,732
Excess (deficiency) of revenues over (under) expenditures	20,021	(627,970)	(2,217,531)	30,370	(2,795,110)

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2013

	General	Debt Service	Capital Projects	Nonmajor	Total
Other financing sources (uses):					
Compensation for loss of capital assets	\$ -	\$ -	\$ 864,227	\$ -	\$ 864,227
Execution of capital lease	-	-	193,699	-	193,699
Interfund transfers in (note 3)	-	1,330,841	-	-	1,330,841
Interfund transfers out (note 3)	-	-	(1,330,841)	-	(1,330,841)
Total other financing sources (uses)	-	1,330,841	(272,915)	-	1,057,926
Net change in fund balances	20,021	702,871	(2,490,446)	30,370	(1,737,184)
Fund balances beginning of year	2,640,943	892,379	4,008,074	451,486	7,992,882
Fund balances end of year	<u>\$ 2,660,964</u>	<u>\$ 1,595,250</u>	<u>\$ 1,517,628</u>	<u>\$ 481,856</u>	<u>\$ 6,255,698</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013

Net change in fund balances - total governmental funds \$ (1,737,184)

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Capital outlays to purchase or build capital assets are reported in  
governmental funds as expenditures. However, those costs are not reported  
in the Statement of Net Position and are allocated over their estimated useful  
lives as depreciation expense in the Statement of Activities. The amounts  
of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 3,759,269	
Depreciation expense	<u>(698,771)</u>	3,060,498

In the Statement of Activities, the loss on disposition of capital assets is  
reported, whereas the governmental funds report the proceeds from the  
disposition as an increase in financial resources. (38,799)

Income surtax revenue not received until several months after the District's  
fiscal year end is not considered available revenue and is deferred in the  
governmental funds. It is, however, recorded as revenue in the Statement  
of Activities. 11,219

Proceeds from issuing long-term liabilities provide current financial resources  
to governmental funds but issuing debt increases long-term liabilities in the  
Statement of Net Position and does not affect the Statement of Activities. (193,699)

Repayment of long-term liabilities is an expenditure in the governmental  
funds, but it reduces long-term liabilities in the Statement of Net Position. 263,502

Interest on long-term debt in the Statement of Activities differs from the  
amount reported in the governmental funds because interest is recorded as  
an expenditure in the funds when due. In the Statement of Activities,  
however, interest expense is recognized as the interest accrues, regardless  
of when it is due. (46,150)

BENTON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013

Some expenses reported in the Statement of Activities do not require the use  
of current financial resources and, therefore, are not reported as  
expenditures in the governmental funds, as follows:

	Early retirement	\$	44,634	
	Net OPEB liability		<u>(20,000)</u>	\$ <u>24,634</u>
Change in net position of governmental activities				\$ <u><u>1,344,021</u></u>

See notes to financial statements.

## BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2013

	School Nutrition	Nonmajor - Preschool Daycare	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 98,136	\$ 8,382	\$ 106,518
Accounts receivable	567	-	567
Due from other governments	3,748	-	3,748
Inventories	20,111	-	20,111
Total current assets	122,562	8,382	130,944
Noncurrent assets:			
Capital assets, net of accumulated depreciation (note 4)	121,032	-	121,032
Total assets	243,594	8,382	251,976
Liabilities			
Current liabilities:			
Accounts payable	759	-	759
Salaries and benefits payable	-	4,620	4,620
Deferred revenue	14,372	-	14,372
Total current liabilities	15,131	4,620	19,751
Net Position			
Net investment in capital assets	121,032	-	121,032
Unrestricted	107,431	3,762	111,193
Total net position	\$ 228,463	\$ 3,762	\$ 232,225

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2013

	School Nutrition	Nonmajor - Preschool Daycare	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 501,230	\$ 33,980	\$ 535,210
Operating expenses:			
Support services:			
Operation and maintenance of plant	2,704	-	2,704
Non-instructional programs	780,617	28,426	809,043
	<u>783,321</u>	<u>28,426</u>	<u>811,747</u>
Operating income (loss)	(282,091)	5,554	(276,537)
Non-operating revenues:			
Interest on investments	384	-	384
State sources	5,948	-	5,948
Federal sources	248,900	-	248,900
Total non-operating revenues	<u>255,232</u>	<u>-</u>	<u>255,232</u>
Change in net position	(26,859)	5,554	(21,305)
Net position beginning of year	<u>255,322</u>	<u>(1,792)</u>	<u>253,530</u>
Net position end of year	<u>\$ 228,463</u>	<u>\$ 3,762</u>	<u>\$ 232,225</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2013

	School Nutrition	Nonmajor - Preschool Daycare	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 483,480	\$ -	\$ 483,480
Cash received from miscellaneous operating activities	16,659	33,980	50,639
Cash payments to employees for services	(355,670)	(34,816)	(390,486)
Cash payments to suppliers for goods or services	(359,887)	(324)	(360,211)
Net cash used by operating activities	<u>(215,418)</u>	<u>(1,160)</u>	<u>(216,578)</u>
Cash flows from non-capital financing activities:			
State grants received	5,948	-	5,948
Federal grants received	196,773	-	196,773
Net cash provided by non-capital financing activities	<u>202,721</u>	<u>-</u>	<u>202,721</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(21,274)</u>	<u>-</u>	<u>(21,274)</u>
Cash flows from investing activities:			
Interest on investments	<u>384</u>	<u>-</u>	<u>384</u>
Net decrease in cash and cash equivalents	(33,587)	(1,160)	(34,747)
Cash and cash equivalents beginning of year	<u>131,723</u>	<u>9,542</u>	<u>141,265</u>
Cash and cash equivalents end of year	<u>\$ 98,136</u>	<u>\$ 8,382</u>	<u>\$ 106,518</u>

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2013

	School Nutrition	Nonmajor - Preschool Daycare	Total
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	\$ (282,091)	\$ 5,554	\$ (276,537)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Depreciation	16,622	-	16,622
Commodities used	48,379	-	48,379
(Increase) in accounts receivable	(16)	-	(16)
Decrease in inventories	2,852	-	2,852
(Decrease) in accounts payable	(89)	-	(89)
(Decrease) in salaries and benefits payable	-	(6,714)	(6,714)
(Decrease) in deferred revenue	(1,075)	-	(1,075)
Net cash used by operating activities	\$ <u>(215,418)</u>	\$ <u>(1,160)</u>	\$ <u>(216,578)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$48,379 of federal commodities.

See notes to financial statements.



## BENTON COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2013

#### Note 1. Summary of Significant Accounting Policies

Benton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Van Horne, Atkins, Blainstown, Elberon, Keystone, Newhall, Norway, and Watkins, Iowa, and agricultural territory in Benton, Tama, and Iowa Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Benton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Benton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Benton and Iowa County Assessor's Conference Boards.

##### B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2013 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

# BENTON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

### Note 1. Summary of Significant Accounting Policies (continued)

#### D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	45-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue for governmental funds consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue for governmental activities in the Statement of Net Position consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Deferred revenue for proprietary funds and business-type activities consists of unearned meal revenues.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2013.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 2. Cash and Pooled Investments (continued)

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u><u>1,594,794</u></u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u><u>1,330,841</u></u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 63,056	\$ -	\$ -	\$ 63,056
Construction in progress	2,873,303	674,451	2,873,303	674,451
Total capital assets not being depreciated	<u>2,936,359</u>	<u>674,451</u>	<u>2,873,303</u>	<u>737,507</u>
Capital assets being depreciated:				
Buildings	22,880,721	5,551,919	79,362	28,353,278
Improvements other than buildings	546,799	50,049	-	596,848
Furniture and equipment	2,292,552	356,153	79,105	2,569,600
Total capital assets being depreciated	<u>25,720,072</u>	<u>5,958,121</u>	<u>158,467</u>	<u>31,519,726</u>
Less accumulated depreciation for:				
Buildings	7,361,699	527,690	40,563	7,848,826
Improvements other than buildings	267,247	19,859	-	287,106
Furniture and equipment	1,602,770	151,222	79,105	1,674,887
Total accumulated depreciation	<u>9,231,716</u>	<u>698,771</u>	<u>119,668</u>	<u>9,810,819</u>
Total capital assets being depreciated, net	<u>16,488,356</u>	<u>5,259,350</u>	<u>38,799</u>	<u>21,708,907</u>
Governmental activities capital assets, net	<u>\$ 19,424,715</u>	<u>\$ 5,933,801</u>	<u>\$ 2,912,102</u>	<u>\$ 22,446,414</u>
Business-type activities:				
Furniture and equipment	\$ 265,099	\$ 21,274	\$ 5,498	\$ 280,875
Less accumulated depreciation	<u>148,719</u>	<u>16,622</u>	<u>5,498</u>	<u>159,843</u>
Business-type activities capital assets, net	<u>\$ 116,380</u>	<u>\$ 4,652</u>	<u>\$ -</u>	<u>\$ 121,032</u>



BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction	\$ 29,258
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Support services:

Administration	3,296
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Operation and maintenance of plant	6,174
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Transportation	<u>114,504</u>
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	153,232
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Unallocated depreciation	<u>545,539</u>
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Total depreciation expense - governmental activities	\$ <u><u>698,771</u></u>
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Business-type activities:

Food service operations	\$ <u><u>16,622</u></u>
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# BENTON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

### Note 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 89,268	\$ -	\$ 44,634	\$ 44,634	\$ 44,634
Revenue bonds	12,120,000	-	200,000	11,920,000	400,000
Capital lease purchase agreements	129,036	193,699	63,502	259,233	161,210
Net OPEB liability	232,000	20,000	-	252,000	-
Total	\$ 12,570,304	\$ 213,699	\$ 308,136	\$ 12,475,867	\$ 605,844

### Early Retirement

The District offered a voluntary early retirement plan to its licensed employees for the year ended June 30, 2012 only. Eligible employees had to be at least age fifty-five on or before June 30, 2012 and had to have completed twenty years of continuous contracted service with the District. Employees had to complete an application which was required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is equal to 45% of the employee's base salary excluding extra duty, extra-curricular, Phase II monies, teacher compensation funds, teacher quality funds or other payments not included in the salary schedule. Early retirement benefits will be paid into a 403(b) plan in two equal annual payments in November 2012 and November 2013.

At June 30, 2013, the District has obligations to four participants with a total liability of \$44,634. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$44,634. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2013 school infrastructure sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated July 1, 2009			
	Interest Rates	Principal	Interest	Total
2014	3.000 %	\$ 250,000	\$ 269,563	\$ 519,563
2015	4.000	250,000	260,812	510,812
2016	4.000	275,000	250,313	525,313
2017	4.000	275,000	239,312	514,312
2018	4.000	275,000	228,313	503,313
2019-2023	4.000-4.375	1,665,000	951,544	2,616,544
2024-2028	4.500-5.000	2,110,000	524,313	2,634,313
2029-2030	5.000	1,000,000	50,000	1,050,000
		<u>\$ 6,100,000</u>	<u>\$ 2,774,170</u>	<u>\$ 8,874,170</u>

Year Ending June 30,	Issue dated May 1, 2012			
	Interest Rates	Principal	Interest	Total
2014	2.00 %	\$ 150,000	\$ 137,303	\$ 287,303
2015	2.00	300,000	132,802	432,802
2016	2.00	305,000	126,753	431,753
2017	2.00	315,000	120,552	435,552
2018	2.00	320,000	114,202	434,202
2019-2023	2.00-2.30	1,695,000	470,455	2,165,455
2024-2028	2.40-2.85	1,900,000	258,614	2,158,614
2029-2030	3.00	835,000	25,275	860,275
		<u>\$ 5,820,000</u>	<u>\$ 1,385,956</u>	<u>\$ 7,205,956</u>

# BENTON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

### Note 5. Long-Term Liabilities (continued)

#### Revenue Bonds (continued)

Year Ending June 30,	Total		
	Principal	Interest	Total
2014	\$ 400,000	\$ 406,866	\$ 806,866
2015	550,000	393,614	943,614
2016	580,000	377,066	957,066
2017	590,000	359,864	949,864
2018	595,000	342,515	937,515
2019-2023	3,360,000	1,421,999	4,781,999
2024-2028	4,010,000	782,927	4,792,927
2029-2030	1,835,000	75,275	1,910,275
	<u>\$ 11,920,000</u>	<u>\$ 4,160,126</u>	<u>\$ 16,080,126</u>

The District pledged future statewide sales and services tax revenues to repay the \$6,575,000 and \$5,820,000 bonds issued in July 2009 and May 2012, respectively. The bonds were issued for the purpose of financing a portion of the costs of an elementary school addition and to fund renovations to the track and football fields, middle/high school auditorium, and gymnasium bleachers and other miscellaneous infrastructure projects. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District and the debt is not subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 60 to 75 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$16,080,126. For the current year, principal of \$200,000 and interest of \$368,847 was paid on the bonds and total statewide sales and services tax revenues were \$1,296,495.

The resolutions providing for the issuance of the school infrastructure sales and service tax revenue bonds include the following provisions:

- \$550,000 and \$438,702.50, respectively, of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Fund to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Fund. The balance of the proceeds shall be deposited in the Project Fund.
- All proceeds from the statewide sales and services tax shall be placed in a Revenue Fund.
- Sufficient monthly deposits amounting to one twelfth of the next principal and one sixth of the next interest payment shall be made to the Sinking Fund for the purpose of making the bond principal and interest payments when due.
- Any monies remaining in the Revenue Fund after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Long-Term Liabilities (continued)

Capital Lease Purchase Agreements

During the year ended June 30, 2012, the District entered into a capital lease purchase agreement for middle school computers and computer equipment totaling \$196,667. The agreement provides for an initial payment and two additional annual payments of \$67,631 and includes interest at 3.2%.

During the year ended June 30, 2013, the District entered into a capital lease purchase agreement for high school computers and computer equipment totaling \$294,128. The agreement provides for an initial payment and two additional annual payments of \$100,429 and includes interest at 2.454%.

Details of the District's June 30, 2013 capital lease purchase agreement indebtedness are as follows:

Year Ending June 30,	Middle School Computers			High School Computers		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 65,534	\$ 2,097	\$ 67,631	\$ 95,676	\$ 4,753	\$ 100,429
2015	-	-	-	98,023	2,406	100,429
	<u>\$ 65,534</u>	<u>\$ 2,097</u>	<u>\$ 67,631</u>	<u>\$ 193,699</u>	<u>\$ 7,159</u>	<u>\$ 200,858</u>

  

Year Ending June 30,	Total		
	Principal	Interest	Total
2014	\$ 161,210	\$ 6,850	\$ 168,060
2015	98,023	2,406	100,429
	<u>\$ 259,233</u>	<u>\$ 9,256</u>	<u>\$ 268,489</u>

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 28 active and 8 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Mercer Health and Benefits Administration. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

# BENTON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

### Note 6. Other Postemployment Benefits (OPEB) (continued)

**Funding Policy** – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

**Annual OPEB Cost and Net OPEB Obligation** – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	79,000
Interest on net OPEB obligation		10,000
Adjustment to annual required contribution		(12,000)
Annual OPEB cost		<u>77,000</u>
Contributions made		<u>(57,000)</u>
Increase in net OPEB obligation		20,000
Net OPEB obligation beginning of year		<u>232,000</u>
Net OPEB obligation end of year	\$	<u><u>252,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$57,000 to the medical plan. Plan members eligible for benefits contributed \$113,000, or 66% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 77,010	42.9%	\$ 201,000
2012	77,000	59.7%	232,000
2013	77,000	74.0%	252,000

**Funded Status and Funding Progress** – As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$758,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$758,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,742,000, and the ratio of the UAAL to covered payroll was 43.5%. As of June 30, 2013, there were no trust fund assets.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2009 and applying the termination factors used in the IPERS Actuarial Valuation Report as of June 30, 2009.

Projected claim costs of the medical plan are \$779 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered payroll for the year ended June 30, 2013. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$854,337, \$794,705, and \$667,045, respectively, equal to the required contributions for each year.

# BENTON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

### Note 8. Risk Management

Benton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$590,339 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

### Note 10. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Limited English proficient	\$ 5,036
Home school assistance program	33,602
At-risk programs	61,606
Gifted and talented programs	103,104
Four-year-old preschool state aid	371,563
Beginning teacher mentoring and induction	387
Teacher salary supplement	90,080
Reading recovery	124
Model core curriculum	1,500
Professional development for model core curriculum	<u>19,504</u>
Total	<u>\$ 686,506</u>

### Note 11. Construction Commitments

The District has entered into a contract totaling \$756,500 for a roof replacement. As of June 30, 2013, costs of \$616,360 had been incurred against the contract. The balance of \$140,140 remaining at June 30, 2013 will be paid as work on the project progresses.



## Required Supplementary Information

# BENTON COMMUNITY SCHOOL DISTRICT

## Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds

### Required Supplementary Information

Year Ended June 30, 2013

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>REVENUES:</b>						
Local sources	\$ 9,777,464	\$ 535,594	\$ 10,313,058	\$ 15,758,753	\$ 15,758,753	\$ (5,445,695)
Intermediate sources	3,001	-	3,001	-	-	3,001
State sources	7,930,297	5,948	7,936,245	8,150,274	8,150,274	(214,029)
Federal sources	328,860	248,900	577,760	740,000	740,000	(162,240)
Total revenues	18,039,622	790,442	18,830,064	24,649,027	24,649,027	(5,818,963)
<b>EXPENDITURES/EXPENSES:</b>						
Instruction	10,798,222	-	10,798,222	10,950,000	11,600,000	801,778
Support services	5,372,610	2,704	5,375,314	5,684,491	5,684,491	309,177
Non-instructional programs	-	809,043	809,043	810,000	855,000	45,957
Other expenditures	4,663,900	-	4,663,900	7,683,759	7,683,759	3,019,859
Total expenditures/expenses	20,834,732	811,747	21,646,479	25,128,250	25,823,250	4,176,771
Excess (deficiency) of revenues over (under) expenditures/ expenses	(2,795,110)	(21,305)	(2,816,415)	(479,223)	(1,174,223)	(1,642,192)
Other financing sources, net	1,057,926	-	1,057,926	-	-	1,057,926
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(1,737,184)	(21,305)	(1,758,489)	(479,223)	(1,174,223)	(584,266)
Balance beginning of year	7,992,882	253,530	8,246,412	5,752,705	5,752,705	2,493,707
Balance end of year	\$ 6,255,698	\$ 232,225	\$ 6,487,923	\$ 5,273,482	\$ 4,578,482	\$ 1,909,441

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
Year Ended June 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$695,000.

During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2013

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
2009	July 1, 2008	\$ -	\$ 1,011	\$ 1,011	0.0%	\$ 2,524	40.1%
2010	July 1, 2008	-	1,011	1,011	0.0%	2,497	40.5%
2011	July 1, 2010	-	758	758	0.0%	2,139	35.4%
2012	July 1, 2010	-	758	758	0.0%	1,911	39.7%
2013	July 1, 2010	-	758	758	0.0%	1,742	43.5%

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

## Supplementary Information

## BENTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2013

	<u>Special Revenue</u>		<u>Permanent</u>	
	<u>Management</u>	<u>Student</u>	<u>Marjorie</u>	
	<u>Levy</u>	<u>Activity</u>	<u>Smith</u>	
			<u>Trust</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 149,077	\$ 316,117	\$ 17,679	\$ 482,873
Receivables:				
Property tax:				
Current year	3,283	-	-	3,283
Succeeding year	324,999	-	-	324,999
Total assets	<u>\$ 477,359</u>	<u>\$ 316,117</u>	<u>\$ 17,679</u>	<u>\$ 811,155</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,985	\$ 2,315	\$ -	\$ 4,300
Deferred revenue:				
Succeeding year property tax	324,999	-	-	324,999
Total liabilities	<u>326,984</u>	<u>2,315</u>	<u>-</u>	<u>329,299</u>
Fund balances:				
Restricted for:				
Management levy purposes	150,375	-	-	150,375
Student activities	-	313,802	-	313,802
Baseball program	-	-	17,679	17,679
Total fund balances	<u>150,375</u>	<u>313,802</u>	<u>17,679</u>	<u>481,856</u>
Total liabilities and fund balances	<u>\$ 477,359</u>	<u>\$ 316,117</u>	<u>\$ 17,679</u>	<u>\$ 811,155</u>

See accompanying independent auditor's report.

## BENTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2013

	Special Revenue		Permanent	
	Management	Student	Marjorie	
	Levy	Activity	Smith	
			Trust	Total
Revenues:				
Local sources:				
Local tax	\$ 275,008	\$ -	\$ -	\$ 275,008
Other	16,298	712,811	184	729,293
State sources	167	-	-	167
Total revenues	291,473	712,811	184	1,004,468
Expenditures:				
Current:				
Instruction	34,153	668,870	-	703,023
Support services:				
Instructional staff	10,481	-	-	10,481
Administration	15,325	-	-	15,325
Operation and maintenance of plant	245,269	-	-	245,269
Total expenditures	305,228	668,870	-	974,098
Excess (deficiency) of revenues over (under) expenditures	(13,755)	43,941	184	30,370
Fund balances beginning of year	164,130	269,861	17,495	451,486
Fund balances end of year	\$ 150,375	\$ 313,802	\$ 17,679	\$ 481,856

See accompanying independent auditor's report.

## BENTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
CAPITAL PROJECTS ACCOUNTS  
June 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
<b>Assets</b>				
Cash and pooled investments	\$ 478,981	\$ -	\$ 26,194	\$ 505,175
Receivables:				
Property tax:				
Current year	-	2,010	-	2,010
Succeeding year	-	182,601	-	182,601
Accounts	-	386,295	-	386,295
Intrafund *	41,348	-	-	41,348
Due from other governments	668,632	-	-	668,632
<b>Total assets</b>	<b>\$ 1,188,961</b>	<b>\$ 570,906</b>	<b>\$ 26,194</b>	<b>\$ 1,786,061</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 37,396	\$ -	\$ 7,088	\$ 44,484
Intrafund payable *	-	41,348	-	41,348
Deferred revenue:				
Succeeding year property tax	-	182,601	-	182,601
<b>Total liabilities</b>	<b>37,396</b>	<b>223,949</b>	<b>7,088</b>	<b>268,433</b>
<b>Fund balances:</b>				
Restricted for:				
School infrastructure	1,151,565	-	19,106	1,170,671
Physical plant and equipment	-	346,957	-	346,957
<b>Total fund balances</b>	<b>1,151,565</b>	<b>346,957</b>	<b>19,106</b>	<b>1,517,628</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,188,961</b>	<b>\$ 570,906</b>	<b>\$ 26,194</b>	<b>\$ 1,786,061</b>

\* This amount is excluded from the face of the basic financial statements.

See accompanying independent auditor's report.



BENTON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 Year Ended June 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 1,296,495	\$ 174,356	\$ -	\$ 1,470,851
Other	1,577	312	1,891	3,780
State sources	-	108	-	108
Total revenues	<u>1,298,072</u>	<u>174,776</u>	<u>1,891</u>	<u>1,474,739</u>
Expenditures:				
Current:				
Instruction	-	193,699	-	193,699
Support services:				
Operation and maintenance of plant	-	63,739	-	63,739
Other expenditures:				
Facilities acquisition	82,576	794,937	2,557,319	3,434,832
Total expenditures	<u>82,576</u>	<u>1,052,375</u>	<u>2,557,319</u>	<u>3,692,270</u>
Excess (deficiency) of revenues over (under) expenditures	1,215,496	(877,599)	(2,555,428)	(2,217,531)
Other financing sources (uses):				
Compensation for loss of capital assets	-	864,227	-	864,227
Execution of capital lease	-	193,699	-	193,699
Interfund transfers out	(1,263,210)	(67,631)	-	(1,330,841)
Total other financing sources (uses)	<u>(1,263,210)</u>	<u>990,295</u>	<u>-</u>	<u>(272,915)</u>
Net change in fund balances	(47,714)	112,696	(2,555,428)	(2,490,446)
Fund balances beginning of year	<u>1,199,279</u>	<u>234,261</u>	<u>2,574,534</u>	<u>4,008,074</u>
Fund balances end of year	<u>\$ 1,151,565</u>	<u>\$ 346,957</u>	<u>\$ 19,106</u>	<u>\$ 1,517,628</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School:				
Cocurricular	\$ 9,082	\$ 608	\$ -	\$ 9,690
Drama	4,737	8,920	8,248	5,409
Vocal	20,589	169,708	186,013	4,284
Instrumental	4,958	64,809	54,016	15,751
Industrial Tech. Resale	4,178	-	-	4,178
Student Council	1,227	3,789	3,547	1,469
Media Club	3,903	2,446	3,870	2,479
Concessions	255	-	-	255
Yearbook	25,627	14,415	9,197	30,845
Art Club	912	1,440	1,819	533
Pom Pom	698	7,793	6,931	1,560
SADD	205	-	-	205
FFA	50,969	75,073	62,343	63,699
Spanish Club	10,970	11,255	7,589	14,636
National Honor Society	1,362	4,283	4,370	1,275
FCCLA	1,366	4,876	4,665	1,577
Wrestlerettes	45	-	-	45
Thespians	2,126	3,877	4,879	1,124
Class of 2012	2,703	-	271	2,432
Class of 2013	2,735	3,969	2,943	3,761
Class of 2014	3,096	1,593	1,902	2,787
Class of 2015	1,588	1,509	49	3,048
Class of 2016	-	1,335	-	1,335
Robotics	-	2,425	1,420	1,005
HOSA	3,962	-	-	3,962
B/G Cocurricular	33,089	17,146	-	50,235
Athletics	46,307	239,420	238,749	46,978
	<u>236,689</u>	<u>640,689</u>	<u>602,821</u>	<u>274,557</u>
Middle School:				
Student Council	1,646	3,228	2,459	2,415

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Atkins:				
Cocurricular	\$ 571	\$ 10	\$ -	\$ 581
Student Council	9,208	12,777	21,665	320
Media Club	6,907	6,198	3,181	9,924
	<u>16,686</u>	<u>18,985</u>	<u>24,846</u>	<u>10,825</u>
Norway:				
Cocurricular	1,167	77	-	1,244
Student Council	3,598	19,169	22,827	(60)
Media Club	2,572	6,546	3,185	5,933
Yearbook	65	-	-	65
	<u>7,402</u>	<u>25,792</u>	<u>26,012</u>	<u>7,182</u>
Keystone:				
Cocurricular	1,723	57	-	1,780
VHE Fundraiser	2,000	-	-	2,000
Student Council	(1,976)	20,408	10,311	8,121
Media Club	5,013	3,652	2,421	6,244
Art Club	678	-	-	678
	<u>7,438</u>	<u>24,117</u>	<u>12,732</u>	<u>18,823</u>
Total	\$ <u>269,861</u>	\$ <u>712,811</u>	\$ <u>668,870</u>	\$ <u>313,802</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST NINE YEARS

	Modified Accrual Basis Years Ended June 30,			
	2013	2012	2011	2010
Revenues:				
Local sources:				
Local tax	\$ 8,414,787	\$ 8,208,003	\$ 7,714,179	\$ 7,022,605
Tuition	497,833	489,773	507,759	457,447
Other	864,844	893,535	839,750	796,097
Intermediate sources	3,001	-	-	2,636
State sources	7,930,297	8,005,793	7,919,389	7,149,682
Federal sources	328,860	762,073	1,080,946	902,990
Total revenues	<u>\$ 18,039,622</u>	<u>\$ 18,359,177</u>	<u>\$ 18,062,023</u>	<u>\$ 16,331,457</u>
Expenditures:				
Instruction	\$ 10,798,222	\$ 10,933,905	\$ 10,332,746	\$ 10,026,119
Support services:				
Student	386,660	195,028	167,276	202,173
Instructional staff	590,428	467,275	428,220	453,745
Administration	1,535,929	1,573,967	1,480,256	1,518,009
Operation and maintenance of plant	1,789,555	1,605,600	1,533,123	1,600,129
Transportation	1,070,038	927,684	914,728	749,367
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	3,434,832	3,357,230	1,993,276	4,879,773
Long-term debt:				
Principal	263,502	2,760,000	260,000	155,000
Interest and fiscal charges	375,227	510,162	400,620	337,962
AEA flowthrough	590,339	593,338	656,501	645,657
Total expenditures	<u>\$ 20,834,732</u>	<u>\$ 22,924,189</u>	<u>\$ 18,166,746</u>	<u>\$ 20,567,934</u>

See accompanying independent auditor's report.

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 7,365,681	\$ 6,316,008	\$ 6,200,534	\$ 5,749,200	\$ 5,666,309
432,324	331,666	411,950	435,003	394,057
154,779	922,268	779,811	660,751	554,516
24,335	5,020	27,250	-	31,116
8,235,992	8,294,627	7,570,220	7,222,771	6,660,965
407,638	326,764	408,774	416,949	275,729
<u>\$ 16,620,749</u>	<u>\$ 16,196,353</u>	<u>\$ 15,398,539</u>	<u>\$ 14,484,674</u>	<u>\$ 13,582,692</u>
\$ 10,279,703	\$ 9,806,078	\$ 8,915,773	\$ 8,477,351	\$ 8,191,843
240,429	247,792	218,385	282,904	236,472
439,262	420,346	399,005	415,950	361,657
1,612,113	1,535,295	1,329,890	1,264,891	1,106,402
1,550,534	1,618,579	1,659,135	1,416,325	1,335,313
949,790	794,070	857,489	785,013	756,403
-	27,055	-	-	-
1,112,840	1,184,905	1,040,783	672,640	1,454,627
145,000	140,000	135,000	125,000	45,000
153,888	134,045	140,015	145,453	203,246
578,193	563,196	531,883	500,773	477,287
<u>\$ 17,061,752</u>	<u>\$ 16,471,361</u>	<u>\$ 15,227,358</u>	<u>\$ 14,086,300</u>	<u>\$ 14,168,250</u>

BENTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2013

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 13	\$ 23,165
National School Lunch Program	10.555	FY 13	225,735 *
			<u>248,900</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	SINA 12	3,689
Title I Grants to Local Educational Agencies	84.010	SINA 13	9,240
Title I Grants to Local Educational Agencies	84.010	FY 13	121,938
			<u>134,867</u>
Improving Teacher Quality State Grants	84.367	FY 13	<u>39,659</u>
Grants for State Assessments and Related Activities	84.369	FY 13	<u>9,626</u>
Grant Wood Area Education Agency:			
Special Education - Grants to States	84.027	FY 13	<u>80,487</u>
Career and Technical Education - Basic Grants to States	84.048	FY 13	<u>8,296</u>
Total			<u>\$ 521,835</u>

\* = Includes \$48,379 of non-cash awards.

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Benton Community School District and is presented on the accrual or modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of  
Benton Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Benton Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 3, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Benton Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Benton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Benton Community School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in Part II of the accompanying Schedule of Findings and Questioned Costs, that we consider to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Benton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### Benton Community School District's Responses to Findings

Benton Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Benton Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Benton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
January 3, 2014

*Hunt & Associates, P.C.*



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM,  
ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Board of Education of  
Benton Community School District:

Report on Compliance for Each Major Federal Program

We have audited Benton Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. Benton Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Benton Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Benton Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Benton Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Benton Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of Benton Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Benton Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal

program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Benton Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Benton Community School District as of and for the year ended June 30, 2013, and have issued our report dated January 3, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Oskaloosa, Iowa  
January 3, 2014

*Hunt & Associates, P.C.*

BENTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
  - CFDA Number 84.367 – Improving Teacher Quality State Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Benton Community School District did not qualify as a low-risk auditee.

BENTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

- II-A-13    Bank Reconciliation – We noted that differences on the General Fund bank reconciliation were not investigated timely and the differences were eventually adjusted through an expenditure account without determining the proper accounts to adjust. Adjusting journal entries have been made to the general ledger to correct these items.

Recommendation – Any differences on the monthly bank reconciliations should be investigated and corrected timely and to the appropriate accounts. This would allow the District to timely detect and correct errors or omissions and would provide accurate and reliable financial information for the District's management and the Board of Education throughout the year.

Response – We will investigate any bank reconciliation differences more thoroughly in the future and contact our auditors for assistance on significant adjustments if needed.

Conclusion – Response accepted.

- II-B-13    Disbursements – Out of forty disbursements tested, two credit card disbursements were not fully supported by an invoice or receipt prior to the check being released for payment. Upon further inquiry, the District was able to obtain the documentation from the vendor.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation prior to the check being released for payment.

Response – We will make sure that all future disbursements are properly supported prior to the check being released for payment.

Conclusion – Response accepted.

- II-C-13    Nontimely Deposits – We noted one check in the Special Revenue, Student Activity Fund from the District school buildings and one reimbursement check to the General Fund from the Student Activity Fund that were not deposited for 17 to 21 days.

Recommendation – All checks should be deposited as soon as possible to safeguard the asset and avoid any possible irregularities.

Response – We will try to ensure that all checks are deposited timely.

Conclusion – Response accepted.

BENTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2013

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

BENTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-13 Certified Budget – Expenditures for the year ended June 30, 2013, did not exceed the amounts budgeted.
- IV-B-13 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-13 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-13 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Sharon Stepanek, Spouse of Board Vice President	Secretary wages	\$28,405
Colleen Reinhardt, Spouse of Board Member	Associate wages	\$15,463

In accordance with an Attorney General’s opinion dated November 9, 1976, the transactions do not appear to represent a conflict of interest.

- IV-E-13 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-F-13 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-13 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-13 Supplementary Weighting – The District’s supplementary weighting certified to the Iowa Department of Education for October 1, 2012, was overstated by 1.471 due to a course that was claimed but was short of accreditation during the fall of 2012.

Recommendation – The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.

Response – We will contact the Iowa Department of Education and the Iowa Department of Management.

Conclusion – Response accepted.

- IV-I-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

BENTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

Part IV: Other Findings Related to Statutory Reporting (continued):

- IV-J-13    Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
  
- IV-K-13    Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
  
- IV-L-13    Statewide Sales and Services Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,199,279
Revenues:		
Sales tax revenues	\$ 1,296,495	
Interest	<u>1,577</u>	1,298,072
Expenditures/transfers out:		
School infrastructure construction	63,858	
Equipment	18,718	
Transfers to other funds:		
Debt Service Fund	<u>1,263,210</u>	<u>1,345,786</u>
Ending balance		<u><u>\$ 1,151,565</u></u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

BENTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

Part IV: Other Findings Related to Statutory Reporting (continued):

- IV-M-13    Interfund Loans – We noted during our audit that the District had an implicit interfund loan between the Capital Projects, Physical Plant and Equipment Levy (PPEL) Fund and the Capital Projects, Statewide Sales, Services and Use Tax Fund to cover the negative cash balance in the PPEL Fund.

According to declaratory order number 4672 issued by the Iowa Department of Education to the Iowa Auditor of State, interfund loans must be approved by Board resolution, include interest on the unpaid balance, and be repaid by October 1 of the following year.

Recommendation – The negative cash balance in the PPEL Fund should have been covered by an interfund loan approved by the Board including the interest rate and repayment plan.

Response – We paid for a roof project out of the PPEL Fund during the fiscal year. The insurance reimbursement check for the storm damages to the roof was not received until July 13, 2013, which covered the deficit. We will follow the Iowa Department of Education’s declaratory order in the future when applicable.

Conclusion – Response accepted.